

## FINANCIAL INFORMATION

*The following discussion and our analysis should be read in conjunction with our consolidated financial statements included in the Accountants’ Report in Appendix I, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS Accounting Standards.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this Document, including but not limited to the sections headed “Risk Factors” and “Business.”*

*For the purposes of this section, unless the context otherwise requires, references to the years of 2023, 2024 and 2025 refer to the years ended December 31 of such years.*

### **BASIS OF PREPARATION**

Our historical financial information during the Track Record Period has been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (“IASB”). For details of the basis of preparation, see Note 2.1 to the Accountants’ Report included in Appendix I to this Document.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing our consolidated financial statements, our Group has adopted all applicable new and revised IFRS Accounting Standards, except for any new standards or interpretations that are not yet effective as of December 31, 2025. The revised and new accounting standards and interpretations issued but not yet effective are set out in Note 2.2 to the Accountants’ Report in Appendix I to this Document.

The preparation of our historical financial information during the Track Record Period in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. Judgments made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are disclosed in Note 3 to the Accountants’ Report included in Appendix I to this Document.

### **MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

Our business and results of operations have been, and are expected to continue to be, influenced by various general factors affecting the global AR eyewear industry, including overall macroeconomic and its impact on consumer behavior, production and procurement costs, geopolitical dynamics and regulatory developments and the overall competitive landscape. Adverse movements in any of these areas may have a material impact on our business and results of operations. In addition to these general factors, our results of operations are affected by the following company specific factors, including:

#### **Growing Global Demand for Our Products**

The global demand for AR eyewear is a primary driver of our performance. According to iResearch, the global smart eyewear market reached approximately US\$2.3 billion in 2025 and is projected to grow to approximately US\$24.0 billion by 2030. Within this broader market, AR eyewear is expected to be the primary growth driver, combining the convenience of everyday wear with immersive digital display capabilities. Global sales volume of AR eyewear is forecast to increase from approximately 0.8 million units in 2026 to approximately 22.2 million units in 2030, representing a CAGR of 130.9%, with its share of the smart eyewear market expected to rise significantly during the same period.

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We ranked No. 1 globally in the AR eyewear market by sales revenue for each year from 2022 to 2025; and we also ranked No. 2 globally and No. 1 in China in the broader smart eyewear market, comprising AR eyewear and non-display eyewear, by sales revenue in 2025, according to iResearch. During the Track Record Period, revenue from sales of our AR eyewear products accounted for the majority of our total revenue, representing 77.6%, 78.1% and 78.1% in 2023, 2024 and 2025, respectively. This was primarily driven by our continued product refreshes and upgrades, which strengthened consumer recognition and supported sustained demand for our AR eyewear.

### **Our Ability to Grow Customer Base**

Our ability to expand our customer base is a key driver of revenue growth and long-term success. We operate a full-channel sales model, combining direct sales and distributor channels. During the Track Record Period, revenue from direct sales accounted for 81.1%, 72.5% and 70.8% of our total revenue in 2023, 2024 and 2025, respectively, while revenue from distributor channels accounted for 18.9%, 27.5% and 29.2% over the same period. This channel mix supports both broad coverage and effective market penetration.

Geographically, we have built a global sales footprint spanning North America, Europe and Asia, with particularly strong performance in key markets such as the United States, Japan and South Korea. During the Track Record Period, overseas markets contributed 65.3%, 65.9% and 71.0% of our revenue in 2023, 2024 and 2025, respectively. As of December 31, 2025, our products had been sold across 40 countries and regions worldwide. Looking ahead, we plan to deepen penetration in our existing core markets and expand into additional high-potential markets through diversified channel strategies.

### **Broadening Product Matrix and Introducing New Functions**

Our competitive strength lies in our diverse and continuously evolving product portfolio that caters to a wide range of consumer needs across different price segments. Our results of operations and financial performance are influenced by our ability to successfully launch new products and continuously upgrade existing ones in response to evolving customer needs and market trends.

We aim to further upgrade our products to capture opportunities across diverse user segments and improve user stickiness through community engagement. We will further refine our product portfolio to address different price segments. For consumers, we plan to continue improving product affordability while still offering comparable user experience, driving wider adoption of our products. For developers or people pursuing premium experience, our flagship products models such as *Project Aura* will integrate cutting-edge interaction technologies for more immersive experience and diversified functions. We work with world-class technology companies across edge coprocessor architecture, optical engines, spatial algorithms and operating systems. We also explore new accessories and service models, including AI-driven software services and customized services to enterprise clients, to broaden our product ecosystem and create recurring revenue opportunities. As we launch new products, upgrade our product matrix and adjust our market outreach, we expect further evolution in the sales contribution of each category, which may in turn affect our results of operations.

### **Technical Innovation and Product Development**

The AR eyewear industry is rapidly evolving, driven by continued technical advancements in edge computing, AI, optical design and spatial interaction. As a global leader in AR eyewear market, we have continued to invest in R&D to maintain our competitive edge and meet complex consumer and enterprise demands. Our ability to continuously develop and introduce new technologies and products that meet our customers’ evolving demands is a key driver of our business success and results of operations. We have built our competitive advantage on a full-stack, proprietary R&D approach, leading the design and integration of key technologies across chip architecture, optical engines, spatial algorithms and operating systems. These proprietary technologies enable us to consistently deliver industry-leading products and reinforce our position at the forefront of AR innovation.

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Looking forward, we plan to continue advancing our core technologies through (i) refining optical technologies by building on our mature *X-Prism* solution and investing in frontier display technologies such as near-eye display and Micro-LED, balancing screen size with full-color, high-brightness displays; (ii) iterating on our *X-Series* edge coprocessors purposely built for AR eyewear, integrating a dedicated NPU and highly integrated packaging solutions to meet AR eyewear requirements for chip size and efficiency of coprocessors; and (iii) strengthening algorithms covering spatial display, spatial interaction and spatial computing, further improving system stability and responsiveness in dynamic real-world environments; and (iv) improving R&D efficiency by consolidating R&D initiatives into a unified platform, adopting standard modular approach, and deepening collaboration with industry partners. We view these sustained investments in core technologies as essential to reinforcing our competitive edge and advancing our evolution toward AI-enabled wearable experiences.

### **Our Ability to Manage Costs and Improve Operating Efficiency**

Our ability to manage cost of sales and improve operational efficiency is fundamental to our path to profitability. Our cost of sales amounted to RMB316.7 million, RMB307.2 million and RMB334.6 million in 2023, 2024 and 2025, respectively, representing 81.2%, 77.9% and 64.8% of our total revenue for the same years. Our primary cost components include materials cost, contract manufacturer expenses, direct labor cost, fulfillment cost and others. We are pursuing ongoing optimization of our product cost structure, with an emphasis on enhancing the cost profile of our core optical modules and capturing increasing economies of scale as production output expands. During the Track Record Period, we achieved meaningful improvement in operating expense efficiency. Our total operating expenses as a percentage of revenue decreased from 137.6% in 2023 to 117.4% in 2024, and further to 82.7% in 2025. This improvement was primarily driven by a significant decrease in selling and distribution expenses, which declined from RMB214.1 million in 2023 to RMB143.1 million in 2024, and further to RMB130.9 million in 2025 as our brand awareness expanded and we optimized marketing spend. We expect continued scale expansion, operational optimization and disciplined cost management to further enhance our margin profile and support our path toward sustainable profitability.

### **Seasonality**

Our sales exhibit seasonality, with revenue typically peaking in the fourth quarter of each year. This reflects consumer purchasing patterns during major holidays and promotional periods such as Singles’ Day Shopping Festival, Black Friday and Christmas. As a result, fourth-quarter revenue generally exceeds that of other quarters. We prepare for these seasonal fluctuations by adjusting inventory levels, strengthening customer support and logistics capacity, and increasing marketing activities ahead of peak demand. Effective planning around these trends helps us manage cash flow, reduce stockout risks and maintain a consistent customer experience throughout the year.

### **MATERIAL ACCOUNTING POLICY INFORMATION AND ESTIMATES**

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continuously evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events which are deemed to be reasonable under the circumstances. During the Track Record Period, there had not been any material deviation from our management’s estimates or assumptions and actual results, and we had not made any material changes to these estimates or assumptions. We do not expect any material changes to these estimates and assumptions in the foreseeable future.

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We believe the accounting policies that are of critical importance to us include those relating to (i) revenue recognition; (ii) fair value measurement; (iii) inventories; and (iv) financial liabilities. The key accounting judgments and estimates that we consider most critical to our consolidated financial statements include (i) determining the method to estimate variable consideration and assessing the constraint for the sale of AR eyewear; (ii) provision for expected credit losses on trade receivables and other receivables; and (iii) impairment of inventories. For details, see Note 2.3 and 3 to the Accountant’s Report included in Appendix I to this Document.

### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Revenue</b> . . . . .	390,069	100.0	394,492	100.0	515,979	100.0
Cost of sales . . . . .	<u>(316,748)</u>	<u>(81.2)</u>	<u>(307,189)</u>	<u>(77.9)</u>	<u>(334,601)</u>	<u>(64.8)</u>
<b>Gross profit</b> . . . . .	<b>73,321</b>	<b>18.8</b>	<b>87,303</b>	<b>22.1</b>	<b>181,378</b>	<b>35.2</b>
Other operating income and gains . . . . .	9,020	2.3	7,427	1.9	7,731	1.5
Selling and distribution expenses . . . . .	(214,103)	(54.9)	(143,111)	(36.3)	(130,929)	(25.4)
Administrative expenses . . . . .	(106,939)	(27.4)	(116,010)	(29.4)	(112,461)	(21.8)
Research and development expenses . . . . .	(215,896)	(55.3)	(204,187)	(51.8)	(182,939)	(35.5)
(Impairment losses)/reversal of impairment losses on financial assets . . . . .	(1,422)	(0.4)	471	0.1	(580)	(0.1)
Impairment losses on long-term assets . . . . .	–	–	(1,792)	(0.5)	(3,771)	(0.7)
Other operating expenses . . . . .	<u>(2,330)</u>	<u>(0.6)</u>	<u>(3,577)</u>	<u>(0.9)</u>	<u>(3,899)</u>	<u>(0.8)</u>
<b>Operating loss</b> . . . . .	<b>(458,349)</b>	<b>(117.5)</b>	<b>(373,476)</b>	<b>(94.8)</b>	<b>(245,470)</b>	<b>(47.6)</b>
Other income, net . . . . .	2,256	0.6	4,684	1.2	3,591	0.7
Finance costs . . . . .	(4,362)	(1.1)	(14,652)	(3.7)	(13,645)	(2.6)
Fair value change on financial assets . . . . .	17,388	4.5	2,970	0.8	1,814	0.4
Fair value changes of preferred shares, warrants and convertible notes . . . . .	<u>(438,690)</u>	<u>(112.5)</u>	<u>(328,041)</u>	<u>(83.2)</u>	<u>(202,586)</u>	<u>(39.3)</u>
<b>Loss before tax</b> . . . . .	<b>(881,757)</b>	<b>(226.0)</b>	<b>(708,515)</b>	<b>(179.7)</b>	<b>(456,296)</b>	<b>(88.4)</b>
Income tax expenses . . . . .	<u>(52)</u>	<u>(0.0)</u>	<u>(95)</u>	<u>(0.0)</u>	<u>(70)</u>	<u>(0.0)</u>
<b>Loss for the year</b> . . . . .	<b>(881,809)</b>	<b>(226.0)</b>	<b>(708,610)</b>	<b>(179.7)</b>	<b>(456,366)</b>	<b>(88.4)</b>

### NON-IFRS MEASURE

To supplement our consolidated financial statements presented in accordance with IFRS Accounting Standards, we use adjusted net loss (non-IFRS measure) as an additional financial measure, which is not required by or presented in accordance with IFRS Accounting Standards. We believe that this non-IFRS measure provides useful information to [REDACTED] in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, presentation of this non-IFRS measure may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and [REDACTED] should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial conditions as reported under IFRS Accounting Standards. In addition, the non-IFRS measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

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We define adjusted net loss (non-IFRS measure) as loss for the year adding back (i) fair value changes of preferred shares, warrants and convertible notes; and (ii) share-based payment expenses for the same period.

The following tables present our non-IFRS financial measure for the years indicated.

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<b>Loss for the year</b> . . . . .	<b>(881,809)</b>	<b>(708,610)</b>	<b>(456,366)</b>
Adjustments:			
Fair value changes of preferred shares, warrants and convertible notes . . . . .	438,690	328,041	202,586
Share-based payment expenses . . . . .	5,835	5,278	3,811
<b>Adjusted net loss (non-IFRS measure)</b> . . . . .	<b><u>(437,284)</u></b>	<b><u>(375,291)</u></b>	<b><u>(249,969)</u></b>

### DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

#### Revenue

During the Track Record Period, our revenue was primarily derived from (i) sale of goods; and (ii) services and others. Our sale of goods mainly comprise the sales of (i) AR eyewear, including the *One Series*, the *Air Series* and the *Light-Ultra-Aura Line*; and (ii) accessories, including the *Beam Series*, *Eye, Hub*, prescription lens modules, cables, nose pads and other functional accessories. Our services and others currently consist of providing technical development services to enterprise clients.

#### Revenue by Product Type

The following table sets forth a breakdown of our revenue by product type, in absolute amounts and as a percentage of our total revenue, for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
<b>Sale of goods</b> . . . . .	<b>355,075</b>	<b>91.0</b>	<b>388,533</b>	<b>98.5</b>	<b>475,673</b>	<b>92.2</b>
– AR eyewear . . . . .	302,653	77.6	307,956	78.1	402,928	78.1
– Accessories . . . . .	52,422	13.4	80,577	20.4	72,745	14.1
<b>Services and others</b> . . . . .	<b>34,994</b>	<b>9.0</b>	<b>5,959</b>	<b>1.5</b>	<b>40,306</b>	<b>7.8</b>
<b>Total</b> . . . . .	<b><u>390,069</u></b>	<b><u>100.0</u></b>	<b><u>394,492</u></b>	<b><u>100.0</u></b>	<b><u>515,979</u></b>	<b><u>100.0</u></b>

#### Revenue by Geographical Region

During the Track Record Period, we generated the majority of our revenue from overseas markets. The following table sets forth a breakdown of our revenue by geographical region, in absolute amounts and as a percentage of our total revenue, for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
<b>Overseas</b> . . . . .	<b>254,717</b>	<b>65.3</b>	<b>260,007</b>	<b>65.9</b>	<b>366,122</b>	<b>71.0</b>
– United States . . . . .	148,108	38.0	109,769	27.8	190,185	36.9
– Japan . . . . .	64,652	16.6	59,612	15.1	75,123	14.6

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For the year ended December 31,

	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
– Europe . . . . .	23,589	6.0	60,713	15.4	70,956	13.8
– Others <sup>(1)</sup> . . . . .	18,368	4.7	29,913	7.6	29,858	5.7
<b>Chinese Mainland . . . . .</b>	<b>135,352</b>	<b>34.7</b>	<b>134,485</b>	<b>34.1</b>	<b>149,857</b>	<b>29.0</b>
<b>Total . . . . .</b>	<b>390,069</b>	<b>100.0</b>	<b>394,492</b>	<b>100.0</b>	<b>515,979</b>	<b>100.0</b>

Notes:

(1) Others primarily comprise Asian countries/regions other than Chinese Mainland.

### Cost of Sales

#### Cost of Sales by Nature

Our cost of sales mainly consisted of (i) materials cost, (ii) contract manufacturer expenses, (iii) direct labor cost, (iv) fulfillment cost, and (v) others. The following table sets forth a breakdown of our cost of sales by nature, in absolute amounts and as a percentage of our total cost of sales, for the years indicated.

For the year ended December 31,

	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Materials cost . . . . .	228,836	72.2	224,882	73.2	251,004	75.0
Contract manufacturer expenses	45,519	14.4	45,364	14.8	37,983	11.4
Direct labor cost . . . . .	23,432	7.4	17,992	5.9	22,692	6.8
Fulfillment cost . . . . .	12,720	4.0	13,206	4.3	11,851	3.5
Others <sup>(1)</sup> . . . . .	6,241	2.0	5,745	1.8	11,071	3.3
<b>Total . . . . .</b>	<b>316,748</b>	<b>100.0</b>	<b>307,189</b>	<b>100.0</b>	<b>334,601</b>	<b>100.0</b>

Notes:

(1) Others primarily comprise depreciation, utilities and rental expenses.

#### Cost of Sales by Product Type

The following table sets forth a breakdown of our cost of sales by product type, in absolute amounts and as a percentage of our total cost of sales, for the years indicated.

For the year ended December 31,

	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
<b>Sale of goods . . . . .</b>	<b>283,306</b>	<b>89.4</b>	<b>303,189</b>	<b>98.7</b>	<b>318,784</b>	<b>95.3</b>
– AR eyewear . . . . .	244,278	77.1	240,832	78.4	280,447	83.8
– Accessories . . . . .	39,028	12.3	62,357	20.3	38,337	11.5
<b>Services and others . . . . .</b>	<b>33,442</b>	<b>10.6</b>	<b>4,000</b>	<b>1.3</b>	<b>15,817</b>	<b>4.7</b>
<b>Total . . . . .</b>	<b>316,748</b>	<b>100.0</b>	<b>307,189</b>	<b>100.0</b>	<b>334,601</b>	<b>100.0</b>

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### Gross Profit and Gross Margin

The following table sets forth a breakdown of our gross profit and gross margin by product type for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Sale of goods</b> . . . . .	<b>71,769</b>	<b>20.2</b>	<b>85,344</b>	<b>22.0</b>	<b>156,889</b>	<b>33.0</b>
– AR eyewear . . . . .	58,375	19.3	67,124	21.8	122,481	30.4
– Accessories . . . . .	13,394	25.6	18,220	22.6	34,408	47.3
<b>Services and others</b> . . . . .	<b>1,552</b>	<b>4.4</b>	<b>1,959</b>	<b>32.9</b>	<b>24,489</b>	<b>60.8</b>
<b>Total</b> . . . . .	<b>73,321</b>	<b>18.8</b>	<b>87,303</b>	<b>22.1</b>	<b>181,378</b>	<b>35.2</b>

### Other Operating Income and Gains

Our other operating income and gains mainly consist of (i) government grants, mainly including subsidies related to our production and R&D activities; and (ii) others, primarily consisting of gains. The following table sets forth a breakdown of our other income and gains for the years indicated.

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Other operating income and gains</b>			
Government grants . . . . .	9,020	7,427	7,699
Others . . . . .	–	–	32
<b>Total</b> . . . . .	<b>9,020</b>	<b>7,427</b>	<b>7,731</b>

### Selling and Distribution Expenses

Our selling and distribution expenses consist of (i) marketing expenses, (ii) service fees, primarily related to our sales through e-commerce platforms, (iii) staff costs, mainly including salaries, bonuses and other welfare benefits for our selling personnel and share-based payment expenses, (iv) rental expenses, (v) depreciation and amortization, primarily relating to property, plant and equipment, right-of-use assets and intangible assets used for selling and distribution purposes, and (vi) others. The following table sets forth a breakdown of our selling and distribution expenses, in absolute amounts and as a percentage of our total selling and distribution expenses, for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Marketing expenses . . . . .	136,638	63.8	80,681	56.4	59,145	45.2
Service fees . . . . .	25,834	12.1	20,934	14.6	31,736	24.2
Staff costs . . . . .	35,228	16.5	28,228	19.7	25,375	19.4
Rental expenses . . . . .	3,400	1.6	2,503	1.7	3,058	2.3
Depreciation and amortization . .	605	0.3	574	0.4	450	0.3
Others <sup>(1)</sup> . . . . .	12,398	5.7	10,191	7.2	11,165	8.6
<b>Total</b> . . . . .	<b>214,103</b>	<b>100.0</b>	<b>143,111</b>	<b>100.0</b>	<b>130,929</b>	<b>100.0</b>

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*Notes:*

- (1) Others primarily comprise office and travel expenses.

### Administrative Expenses

Our administrative expenses consist of (i) staff costs, (ii) rental expenses, (iii) professional services fees, (iv) depreciation and amortization, (v) office and travel expenses, and (vi) others. The following table sets forth a breakdown of our administrative expenses, in absolute amounts and as a percentage of our total administrative expenses, for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs . . . . .	60,633	56.7	54,110	46.6	47,463	42.2
Rental expenses . . . . .	15,485	14.5	21,196	18.3	28,948	25.7
Professional services fees . . . . .	7,975	7.5	15,906	13.7	11,196	10.0
Depreciation and amortization . . . . .	9,286	8.7	9,956	8.6	9,850	8.8
Office and travel expenses . . . . .	5,524	5.2	5,005	4.3	4,179	3.7
Others <sup>(1)</sup> . . . . .	8,036	7.4	9,837	8.5	10,825	9.6
<b>Total</b> . . . . .	<b>106,939</b>	<b>100.0</b>	<b>116,010</b>	<b>100.0</b>	<b>112,461</b>	<b>100.0</b>

*Notes:*

- (1) Others primarily comprise training expenses and patent application expenses.

### Research and Development Expenses

Our research and development expenses consist of (i) staff costs, (ii) R&D materials, (iii) R&D services fees, (iv) rental expenses, (v) software licensing fees, (vi) depreciation and amortization, and (vii) others. The following table sets forth a breakdown of our research and development expenses, in absolute amounts and as a percentage of our total research and development expenses, for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs . . . . .	148,275	68.7	125,120	61.3	118,164	64.6
R&D materials . . . . .	9,055	4.2	18,833	9.2	16,558	9.1
R&D services fees . . . . .	18,149	8.4	22,683	11.1	12,668	6.9
Rental expenses . . . . .	13,304	6.1	9,708	4.8	11,040	6.0
Software licensing fees . . . . .	8,107	3.8	8,006	3.9	7,588	4.1
Depreciation and amortization . . . . .	5,930	2.7	6,269	3.1	5,143	2.8
Others <sup>(1)</sup> . . . . .	13,076	6.1	13,568	6.6	11,778	6.5
<b>Total</b> . . . . .	<b>215,896</b>	<b>100.0</b>	<b>204,187</b>	<b>100.0</b>	<b>182,939</b>	<b>100.0</b>

*Notes:*

- (1) Others primarily comprise office expense, inspection and testing fees.

### (Impairment Losses)/Reversal of Impairment Losses on Financial Assets

Our (impairment losses)/reversal of impairment losses on financial assets consist of provision of impairment losses on trade receivables. We recorded impairment losses on financial assets of RMB1.4 million and RMB0.6 million in 2023 and 2025, respectively, and impairment reversal on financial assets of RMB0.5 million in 2024.

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### **Impairment Losses on Long-term Assets**

We recorded impairment losses on long-term assets of nil, RMB1.8 million and RMB3.8 million in 2023, 2024 and 2025, respectively, primarily related to the renovation of certain production facilities.

### **Other Operating Expenses**

We recorded other operating expenses of RMB2.3 million, RMB3.6 million and RMB3.9 million in 2023, 2024 and 2025, respectively.

### **Operating Loss**

As a result of the foregoing, we recorded operating loss of RMB458.3 million, RMB373.5 million and RMB245.5 million in 2023, 2024 and 2025, respectively.

### **Finance Costs**

Our finance costs consist of (i) interest on bank borrowings; (ii) interest on lease liabilities; and (iii) interests on the redeemable non-controlling interests. We recorded finance costs of RMB4.4 million, RMB14.7 million and RMB13.6 million in 2023, 2024 and 2025, respectively.

### **Fair Value Change on Financial Assets**

Our fair value change on financial assets mainly related to wealth management products. We recorded fair value gain on financial assets of RMB17.4 million, RMB3.0 million and RMB1.8 million in 2023, 2024 and 2025, respectively.

### **Fair Value Changes of Preferred Shares, Warrants and Convertible Notes**

Our fair value changes of preferred shares, warrants and convertible notes are mainly resulting from changes in our valuation. We recorded fair value changes of preferred shares, warrants and convertible notes of RMB438.7 million, RMB328.0 million and RMB202.6 million in 2023, 2024 and 2025, respectively. For details of fair value changes of preferred shares, warrants and convertible notes, see Note 26 to the Accountant’s Report included in Appendix I to this Document.

### **Income Tax Expense**

We recorded income tax expense of RMB52 thousand, RMB95 thousand and RMB70 thousand in 2023, 2024 and 2025, respectively.

#### ***Cayman***

Pursuant to the relevant rules and regulations of the Cayman Islands, we are not subject to any income tax in the Cayman Islands.

#### ***Hong Kong***

No provision for Hong Kong profits tax has been made as we did not generate any assessable profits arising in Hong Kong during the Track Record Periods. The Hong Kong profits tax rate during the Track Record Periods was 16.5%. Overseas tax is calculated on the estimated assessable profits for the Track Record Periods at the rates of taxation prevailing in the respective jurisdictions.

#### ***United States***

The United States corporate income tax consists of a federal tax at a flat rate of 21%, with additional state income taxes varying by jurisdiction, primarily from 4% to 9%.

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### *Japan*

We are subject to Japanese corporate income tax at a statutory rate of 23.2%.

### *Chinese Mainland*

Under the Enterprise Income Tax Law of the PRC (the “EIT Law”) and the Implementation Regulation of the EIT Law, the EIT rate of our PRC subsidiaries is 25% unless subject to preferential tax as set out below. Certain of our PRC subsidiaries are accredited as HNTes and were therefore entitled to a preferential income tax rate of 15% during the Track Record Periods. Such qualifications are subject to review by the relevant tax authorities in the PRC for every three years.

### **Loss for the Year**

As a result of the foregoing, we recorded net loss of RMB881.8 million, RMB708.6 million and RMB456.4 million in 2023, 2024 and 2025, respectively. Our net loss margin was 226.1%, 179.6% and 88.4% in 2023, 2024 and 2025, respectively.

## **YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS**

### **Year Ended December 31, 2025 Compared to Year Ended December 31, 2024**

#### *Revenue*

Our revenue increased by 30.8% from RMB394.5 million in 2024 to RMB516.0 million in 2025, primarily due to an increase in revenue from our sale of goods.

#### *Sale of Goods*

Our revenue from sale of goods increased by 22.4% from RMB388.5 million in 2024 to RMB475.7 million in 2025, primarily due to an increase in revenue from sales of AR eyewear.

Our revenue from sales of AR eyewear increased by 30.8% from RMB308.0 million in 2024 to RMB402.9 million in 2025, primarily due to (i) an increase in sales volume of our AR eyewear; and (ii) an increase in ASP of our AR eyewear. The sales volume of our AR eyewear increased from 124,871 units for 2024 to 133,731 units for 2025, mainly attributable to (i) the introduction of new products under our *One Series*, including the launch of *One* in December 2024 and *One Pro* in July 2025, which recorded favorable market reception and contributed to the increase in sales volume of AR eyewear in 2025; and (ii) the increased market penetration in the United States, Japan and Europe. The ASP increased from RMB2,466 per unit in 2024 to RMB3,013 per unit in 2025, primarily due to our introduction of new products with higher ASP under our *One Series*.

Our revenue from sales of accessories decreased by 9.7% from RMB80.6 million in 2024 to RMB72.7 million in 2025, primarily due to a decrease in sales volume of *Beam Series*, as certain of our products have incorporated functions of *Beam Series*, partially offset by an increase in sales volume of *Hub* and newly released accessories products in 2025.

#### *Services and Others*

Our revenue from services and others increased significantly by 576.4% from RMB6.0 million in 2024 to RMB40.3 million in 2025, primarily derived from our technical development services for *Project Aura*.

#### *Cost of Sales*

Our cost of sales increased by 9.1% from RMB307.2 million in 2024 to RMB334.6 million in 2025, primarily due to an increase of RMB26.1 million in materials cost driven by our increased overall sales volumes; partially offset by a decrease of RMB7.4 million in contract manufacturer expenses, primarily due to a higher level of contract manufacturing for accessories occurred in 2024.

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### ***Gross Profit and Gross Margin***

As a result of the foregoing, our gross profit increased by 107.8% from RMB87.3 million in 2024 to RMB181.4 million in 2025. Our gross profit margins increased from 22.1% in 2024 to 35.2% in 2025.

#### ***Sale of Goods***

Our gross profit of sale of goods increased by 83.8% from RMB85.3 million in 2024 to RMB156.9 million in 2025. Our gross profit margin of sale of goods increased from 22.0% in 2024 to 33.0% in 2025.

Our gross profit of sales of AR eyewear increased by 82.5% from RMB67.1 million in 2024 to RMB122.5 million in 2025. Our gross profit margin of sales of AR eyewear increased from 21.8% in 2024 to 30.4% in 2025, primarily due to (i) an increased sales contribution from higher-margin products, such as *One Series*, which benefited from enhanced product capabilities and resulted in higher ASPs; and (ii) economies of scale resulting from the increase in sales volume, which lowered our average unit production costs.

Our gross profit of sales of accessories increased by 88.8% from RMB18.2 million in 2024 to RMB34.4 million in 2025. Our gross profit margin of sales of accessories increased from 22.6% in 2024 to 47.3% in 2025, primarily due to change of our sales mix.

#### ***Services and Others***

Gross profit of services and others increased by 1150.1% from RMB2.0 million in 2024 to RMB24.5 million in 2025. Our gross profit margin of services and others increased from 32.9% in 2024 to 60.8% in 2025, primarily driven by the higher gross profit margin from technical development services for *Project Aura*.

### ***Other Operating Income and Gains***

Our other operating income and gains remained relatively stable at RMB7.4 million in 2024 and RMB7.7 million in 2025.

### ***Selling and Distribution Expenses***

Our selling and distribution expenses decreased by 8.5% from RMB143.1 million in 2024 to RMB130.9 million in 2025. Such decrease was mainly attributable to (i) a decrease of RMB21.5 million in marketing expenses, primarily due to increased brand awareness and more efficient marketing spend; and (ii) a decrease of RMB2.9 million in staff costs, primarily driven by the optimization of our sales team, partially offset by an increase of RMB10.8 million in services fees, in line with our business expansion.

### ***Administrative Expenses***

Our administrative expenses remained relatively stable at RMB116.0 million in 2024 and RMB112.5 million in 2025, mainly attributable to a decrease of RMB6.6 million in staff costs, primarily driven by the optimization of our administrative team, partially offset by an increase of RMB7.8 million in rental expenses in line with our business expansion.

### ***Research and Development Expenses***

Our research and development expenses decreased by 10.4% from RMB204.2 million in 2024 to RMB182.9 million in 2025. Such decrease was mainly attributable to (i) a decrease of RMB10.0 million in R&D services fees, primarily reflecting the progress of our development cycle, (ii) a decrease of RMB7.0 million in staff costs, primarily due to the optimization of our R&D team to focus resources on strengthening core technologies, and (iii) a decrease of RMB2.3 million in R&D materials, primarily reflecting the progress of our development cycle.

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### *Other Operating Expenses*

Our other operating expenses increased by 9.0% from RMB3.6 million in 2024 to RMB3.9 million in 2025, primarily due to foreign exchange fluctuations.

### *Operating Loss*

As a result of the foregoing, our operating loss decreased from RMB373.5 million in 2024 to RMB245.5 million in 2025.

### *Other Income, Net*

Our other income, net decreased from RMB4.7 million in 2024 to RMB3.6 million in 2025, attributable to a decrease of RMB1.1 million in interest income, due to decreased bank deposit balances.

### *Finance Costs*

Our finance costs decreased by 6.9% from RMB14.7 million in 2024 to RMB13.6 million in 2025, primarily due to a decrease in financial expense resulting from the expiration of certain leases.

### *Fair Value Changes on Financial Assets*

Our fair value change on financial assets decreased by 38.9% from RMB3.0 million in 2024 to RMB1.8 million in 2025, primarily due to a decrease in our purchases of wealth management products in 2025.

### *Fair Value Changes of Preferred Shares, Warrants and Convertible Notes*

Our fair value changes of preferred shares, warrants and convertible notes decreased by 38.2% from RMB328.0 million in 2024 to RMB202.6 million in 2025.

### *Income Tax Expense*

We recorded income tax expense of RMB95 thousand in 2024 and RMB70 thousand in 2025, respectively.

### *Loss for the Year*

As a result of the foregoing, our net loss decreased from RMB708.6 million in 2024 to RMB456.4 million in 2025. Our net loss margin decreased from 179.7% in 2024 to 88.5% in 2025.

## **Year Ended December 31, 2024 Compared to Year Ended December 31, 2023**

### *Revenue*

Our revenue remained relatively stable at RMB390.1 million in 2023 and RMB394.5 million in 2024.

### *Sale of Goods*

Our revenue from sale of goods increased by 9.4% from RMB355.1 million in 2023 to RMB388.5 million in 2024, primarily due to an increase in revenue from sales of accessories.

Our revenue from sales of AR eyewear increased from RMB302.7 million in 2023 to RMB308.0 million in 2024, driven by higher ASPs from to following the launch of *One Series* and upgraded *Air Series*, partially offset by a decrease in sales volume.

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## FINANCIAL INFORMATION

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Our revenue from sales of accessories increased by 53.7% from RMB52.4 million in 2023 to RMB80.6 million in 2024, primarily due to the increase in sales volume of accessories driven by newly launched accessories such as *Beam Pro* and *Hub*.

### *Services and Others*

Our revenue from services and others decreased by 83.0% from RMB35.0 million in 2023 to RMB6.0 million in 2024, primarily due to the completion of certain service projects.

### *Cost of Sales*

Our cost of sales remained relatively stable at RMB316.7 million in 2023 and RMB307.2 million in 2024.

### *Gross Profit and Gross Margin*

As a result of the foregoing, our gross profit increased by 19.1% from RMB73.3 million in 2023 to RMB87.3 million in 2024. Our gross profit margins increased from 18.8% in 2023 to 22.1% in 2024.

### *Sale of Goods*

Our gross profit of sale of goods increased by 18.9% from RMB71.8 million in 2023 to RMB85.3 million in 2024. Our gross profit margin of sale of goods increased from 20.2% in 2023 to 22.0% in 2024.

Our gross profit of sales of AR eyewear increased by 15.0% from RMB58.4 million in 2023 to RMB67.1 million in 2024. Our gross profit margin of sales of AR eyewear increased from 19.3% in 2023 to 21.8% in 2024, primarily due to our introduction of new products with higher ASPs under our *Air Series* and *One Series*.

Our gross profit of sales of accessories increased by 36.0% from RMB13.4 million in 2023 to RMB18.2 million in 2024. Our gross profit margin of sales of accessories decreased from 25.6% in 2023 to 22.6% in 2024, primarily due to the change of our sales mix.

### *Services and Others*

Gross profit of services and others increased by 26.2% from RMB1.6 million in 2023 to RMB2.0 million in 2024. Gross profit margin of services and others increased from 4.4% in 2023 to 32.9% in 2024, primarily due to certain service projects with higher profit margin delivered in 2024.

### *Other Operating Income and Gains*

Our other operating income and gains decreased by 17.7% from RMB9.0 million in 2023 to RMB7.4 million in 2024, primarily due to a decrease of RMB1.6 million in government grants, primarily due to certain one-off government grants received in 2023.

### *Selling and Distribution Expenses*

Our selling and distribution expenses decreased by 33.2% from RMB214.1 million in 2023 to RMB143.1 million in 2024. Such decrease was mainly attributable to (i) a decrease of RMB56.0 million in marketing expenses, primarily due to increased brand awareness and more efficient marketing spend; and (ii) a decrease of RMB7.0 million in staff costs, primarily due to the optimization of our sales team.

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### *Administrative Expenses*

Our administrative expenses increased by 8.5% from RMB106.9 million in 2023 to RMB116.0 million in 2024. Such increase was mainly attributable to an increase of RMB7.9 million in professional services fees.

### *Research and Development Expenses*

Our research and development expenses decreased by 5.4% from RMB215.9 million in 2023 to RMB204.2 million in 2024. Such decrease was mainly attributable to a decrease of RMB23.2 million in staff costs, primarily due to the optimization of our R&D team; partially offset by an increase of RMB9.8 million in R&D materials, primarily as we invested significant material to support new product development in 2024.

### *(Impairment Losses)/Reversal of Impairment Losses on Financial Assets*

We recorded impairment losses on financial assets of RMB1.4 million in 2023 and impairment reversal of RMB0.5 million in 2024.

### *Other Operating Expenses*

Our other operating expenses increased by 53.5% from RMB2.3 million in 2023 to RMB3.6 million in 2024, primarily due to foreign exchange fluctuations.

### *Operating Loss*

As a result of the foregoing, our operating loss decreased from RMB458.3 million in 2023 to RMB373.5 million in 2024.

### *Other Income, Net*

Our other income, net increased from RMB2.3 million in 2023 to RMB4.7 million in 2024, attributable to an increase of RMB2.4 million in interest income, due to increased bank deposit balances.

### *Finance Costs*

Our finance costs increased by 235.9% from RMB4.4 million in 2023 to RMB14.7 million in 2024, primarily due to the increase in financial liabilities to support our business growth.

### *Fair Value Changes on Financial Assets*

Our fair value changes on financial assets decreased by 82.9% from RMB17.4 million in 2023 to RMB3.0 million in 2024, primarily due to a decrease in our purchases of wealth management products in 2024.

### *Fair Value Changes of Preferred Shares, Warrants and Convertible Notes*

Our fair value changes of preferred shares, warrants and convertible notes decreased by 25.2% from RMB438.7 million in 2023 to RMB328.0 million in 2024.

### *Income Tax Expense*

We recorded income tax expense of RMB52 thousand in 2023 and RMB95 thousand in 2024, respectively.

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### *Loss for the Year*

As a result of the foregoing, our net loss decreased from RMB881.8 million in 2023 to RMB708.6 million in 2024. Our net loss margin decreased from 226.1% in 2023 to 179.6% in 2024.

### **DISCUSSION OF CERTAIN KEY ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

The table below sets forth the selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from our audited consolidated financial statements included in Appendix I to this Document.

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Total non-current assets . . . . .	121,906	175,988	136,005
Total current assets . . . . .	767,372	577,156	405,352
<b>Total assets</b> . . . . .	<b>889,278</b>	<b>753,144</b>	<b>541,357</b>
Total non-current liabilities . . . . .	39,592	208,439	77,930
Total current liabilities . . . . .	2,699,826	3,139,040	3,489,387
<b>Total liabilities</b> . . . . .	<b>2,739,418</b>	<b>3,347,479</b>	<b>3,567,317</b>
<b>Net liabilities</b> . . . . .	<b>1,850,140</b>	<b>2,594,335</b>	<b>3,025,960</b>
Share capital . . . . .	475	475	475
Reserves . . . . .	(1,850,615)	(2,594,810)	(3,026,435)
<b>Total deficit</b> . . . . .	<b>(1,850,140)</b>	<b>(2,594,335)</b>	<b>(3,025,960)</b>

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### Current Assets and Liabilities

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
<b>CURRENT ASSETS</b>				
Inventories . . . . .	189,520	166,357	180,593	192,533
Trade receivables . . . . .	55,471	15,457	18,247	22,329
Prepayments, other receivables and other assets . . . . .	146,048	122,061	104,689	125,981
Financial assets at fair value through profit or loss . . . . .	124,852	18,596	800	788
Time deposits . . . . .	17,974	–	–	–
Pledged deposits and restricted cash .	52,413	49,953	37,389	39,731
Cash and cash equivalents . . . . .	181,094	204,732	63,634	179,655
<b>Total current assets . . . . .</b>	<b><u>767,372</u></b>	<b><u>577,156</u></b>	<b><u>405,352</u></b>	<b><u>561,017</u></b>
<b>CURRENT LIABILITIES</b>				
Interest-bearing bank borrowings . . .	162,026	153,779	128,933	239,701
Trade and notes payables . . . . .	134,803	172,029	162,563	116,267
Other payables and accruals . . . . .	77,055	113,116	103,691	104,435
Lease liabilities . . . . .	14,871	23,279	18,423	17,333
Other liabilities . . . . .	–	–	151,335	151,335
Preferred shares, warrants and convertible notes . . . . .	2,311,071	2,676,837	2,924,442	3,186,310
<b>Total current liabilities . . . . .</b>	<b><u>2,699,826</u></b>	<b><u>3,139,040</u></b>	<b><u>3,489,387</u></b>	<b><u>3,815,381</u></b>
<b>Net current liabilities . . . . .</b>	<b><u>1,932,454</u></b>	<b><u>2,561,884</u></b>	<b><u>3,084,035</u></b>	<b><u>3,254,364</u></b>

Our net current liabilities remained relatively stable at RMB3,084.0 million as of December 31, 2025 and RMB3,254.4 million as of February 28, 2026.

Our net current liabilities increased from RMB2,561.9 million as of December 31, 2024 to RMB3,084.0 million as of December 31, 2025, primarily due to the decrease in current assets and the increase in current liabilities. Our current assets decreased primarily attributable to a decrease of RMB141.1 million in cash and cash equivalents. Our current liabilities increased primarily attributable to (i) an increase of RMB247.6 million in preferred shares, warrants and convertible notes, and (ii) we recorded other liabilities of RMB151.3 million as of December 31, 2025.

Our net current liabilities increased from RMB1,932.5 million as of December 31, 2023 to RMB2,561.9 million as of December 31, 2024, primarily due to the decrease in current assets and the increase in current liabilities. Our current assets decreased primarily attributable to (i) a decrease of RMB106.3 million in financial assets at FVTPL, (ii) a decrease of RMB40.0 million in trade receivables, (iii) a decrease of RMB24.0 million in prepayments, other receivables and other assets, and (iv) a decrease of RMB24.0 million in inventories. Our current liabilities increased primarily attributable to (i) an increase of RMB365.8 million in preferred shares, warrants and convertible notes, (ii) an increase of RMB37.2 million in trade and notes payables, and (iii) an increase of RMB36.1 million in other payables and accruals.

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### Assets

#### *Property, Plant and Equipment*

Our property, plant and equipment consist of (i) leasehold improvements, (ii) moulds and production equipment, and (iii) office, electronic equipment and others. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Leasehold improvements . . . . .	40,470	29,233	25,549
Moulds and production equipment . . . . .	22,008	21,228	20,595
Office, electronic equipment and others . . . . .	13,710	9,362	5,330
<b>Total</b> . . . . .	<b>76,188</b>	<b>59,823</b>	<b>51,474</b>

The carrying amount of our property, plant and equipment decreased from RMB76.2 million as of December 31, 2023 to RMB59.8 million as of December 31, 2024, and further decreased to RMB51.5 million as of December 31, 2025, primarily due to the depreciation of property, plant and equipment.

#### *Right-of-Use Assets*

Our right-of-use assets represent our leased properties. The carrying amount of our right-of-use assets increased from RMB31.2 million as of December 31, 2023 to RMB64.0 million as of December 31, 2024, primarily due to the increase in leased properties in 2024 in line with our business expansion. The carrying amount of our right-of-use assets subsequently decreased to RMB38.9 million as of December 31, 2025, primarily attributed to the expiration of certain leases.

#### *Inventories*

Our inventories primarily consisted of (i) raw materials, primarily consisting of our raw materials for in-house production and third-party manufacturing, (ii) work in progress, and (iii) finished goods. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials . . . . .	102,403	89,598	99,622
Work in progress . . . . .	37	40	37
Finished goods . . . . .	112,592	115,183	127,788
Less: provision . . . . .	(25,512)	(38,464)	(46,854)
<b>Total</b> . . . . .	<b>189,520</b>	<b>166,357</b>	<b>180,593</b>

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Our inventories decreased by 12.2% from RMB189.5 million as of December 31, 2023 to RMB166.4 million as of December 31, 2024, primarily attributable to a decrease of RMB12.8 million in raw materials, primarily due to procurement in preparation for upcoming production plans in 2023.

Our inventories subsequently increased by 8.6% from RMB166.4 million as of December 31, 2024, to RMB180.6 million as of December 31, 2025, primarily attributable to (i) an increase of RMB15.5 million in finished goods; and (ii) an increase of RMB10.0 million in raw materials. Such increases were in line with our business growth and expansion of product portfolio.

We assess impairment to inventories from time to time during the Track Record Period and may make provision to write down our inventories to their net realizable value if they become expired or damaged, or their prices go down, and their net realizable value substantially decreases. For details, see Note 3 to the Accountant’s Report included in Appendix I to this Document. We have in place a set of policies and procedures to manage our inventories. For details, see “Business — Inventory Management, Warehousing and Logistics — Inventory Management.”

The following table sets forth an aging analysis of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 1 year . . . . .	188,411	163,898	177,039
1-2 years . . . . .	1,023	1,680	3,554
2-3 years . . . . .	86	779	–
<b>Total</b> . . . . .	<b>189,520</b>	<b>166,357</b>	<b>180,593</b>

The following table sets forth our average inventories turnover days for the years indicated:

	For the Year ended December 31,		
	2023	2024	2025
	<i>(days)</i>		
Average inventories turnover days <sup>(1)</sup> . . . . .	157	209	187

*Note:*

- (1) Average inventories turnover days equal the average of the opening and closing inventory balances (net of provision) of the period indicated divided by the cost of sales of the same period and multiplied by 360 days for a full-year period.

Our inventories turnover days increased from 157 days in 2023 to 209 days in 2024, primarily because the average of the opening and closing balance of inventories in 2024 was higher than that in 2023. Our inventories turnover days decreased from 209 days in 2024 to 187 days in 2025, reflecting our improved inventory management efficiency.

As of February 28, 2026, RMB54.8 million, or 30.3%, of our inventories as of December 31, 2025 had been sold or utilized.

### **Trade Receivables**

Our trade receivables decreased from RMB55.5 million as of December 31, 2023 to RMB15.5 million as of December 31, 2024, primarily reflecting more favorable payment terms secured with our customers. Our trade receivables subsequently increased to RMB18.2 million as of December 31, 2025, primarily due to our business expansion.

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The following table sets out an aging analysis of our trade receivables, net of allowance for credit losses, as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year . . . . .	55,471	15,224	18,039
1-2 years . . . . .	–	207	128
2-3 years . . . . .	–	26	80
<b>Total</b> . . . . .	<b>55,471</b>	<b>15,457</b>	<b>18,247</b>

The following table sets forth the turnover days of our trade receivables for the years indicated.

	For the year ended December 31,		
	2023	2024	2025
	(days)		
Trade receivables turnover days <sup>(1)</sup> . . . . .	44	32	12

*Note:*

- (1) Trade receivables turnover days are based on the average balance of trade receivables (net of provision) divided by our revenue for the relevant period and multiplied by 360 days for a full-year period. Average balance is calculated as the average of the beginning balance and ending balance of a given period.

Our trade receivables turnover days decreased from 44 days in 2023 to 32 days in 2024, and further decreased to 12 days in 2025, primarily reflecting more favorable payment terms secured with our customers and improved collection efficiency.

As of February 28, 2026, RMB16.5 million, or 90.2% of our trade receivables outstanding as of December 31, 2025, had been subsequently settled.

### ***Prepayments, Other Receivables and Other Assets***

Our prepayment, other receivables and other assets consist of (i) prepayments; (ii) loans to employees; (iii) deposits; (iv) amount due from payment platforms; (v) tax refund; (vi) right of return assets; (vii) others; and (viii) other current assets – Input VAT. The following table sets forth the details of our prepayments, other receivables and other assets as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Prepayments . . . . .	53,262	35,268	32,885
Loans to employees . . . . .	21,271	7,329	5,600
Deposits . . . . .	1,207	7,288	1,271
Amount due from payment platforms . . . . .	26,558	17,172	18,688
Tax refund . . . . .	7,151	4,844	2,638
Right of return assets . . . . .	7,272	10,073	6,735
Others . . . . .	4,932	4,094	3,919
Other current assets – Input VAT . . . . .	24,395	35,993	32,953
<b>Total</b> . . . . .	<b>146,048</b>	<b>122,061</b>	<b>104,689</b>

## FINANCIAL INFORMATION

Our prepayments, other receivables and other assets decreased from RMB146.0 million as of December 31, 2023 to RMB122.1 million as of December 31, 2024, primarily due to (i) a decrease of RMB18.0 million in prepayments following the receipt and acceptance of previously prepaid materials; and (ii) a decrease of RMB13.9 million in loans to employees; partially offset by an increase of RMB11.6 million in other current assets – input VAT mainly due to increased procurement in line with our business expansion.

Our prepayments, other receivables and other assets decreased from RMB122.1 million as of December 31, 2024 to RMB104.7 million as of December 31, 2025, primarily due to a decrease of RMB6.0 million in deposits due to the refund of deposits of certain leases.

### *Pledged Deposits and Restricted Cash*

Our pledged deposits and restricted cash primarily represent restricted cash received from shareholders, pledged for notes payable, restricted for litigations, restricted for mortgage loan and restricted in dormant accounts.

Our pledged deposits and restricted cash decreased from RMB52.4 million as of December 31, 2023 to RMB50.0 million as of December 31, 2024, primarily due to a decrease of RMB32.2 million in restricted cash received from Shareholders as certain investment from Shareholders were released in 2024. Our pledged deposits and restricted cash further decreased to RMB37.4 million as of December 31, 2025, primarily due to a decrease of RMB7.1 million in pledged for notes payable, primarily due to a decrease in notes payables and the corresponding decline in required pledge.

### **Liabilities**

#### *Trade and Notes Payables*

Our trade and bills payables consist of (i) trade payables to third parties, and (ii) notes payable, representing notes issued to certain suppliers. The following table sets forth a breakdown of our trade and bills payables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables to third parties . . . . .	73,835	62,505	103,673
Notes payable . . . . .	60,968	109,524	58,890
<b>Total</b> . . . . .	<b>134,803</b>	<b>172,029</b>	<b>162,563</b>

Our trade and notes payables increased from RMB134.8 million as of December 31, 2023 to RMB172.0 million as of December 31, 2024, primarily attributable to more favorable payment terms secured with our suppliers as our procurement scale expanded. Our trade and notes payables subsequently decreased to RMB162.6 million, primarily attributable to the settlement of certain payables in the year end of 2025.

## FINANCIAL INFORMATION

The following table sets forth the aging analysis of our trade and notes payables based on the invoice date as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year . . . . .	130,734	159,252	137,646
1-2 years . . . . .	3,449	9,905	13,395
2-3 years . . . . .	620	2,295	8,978
Over 3 years . . . . .	–	577	2,544
<b>Total</b> . . . . .	<b>134,803</b>	<b>172,029</b>	<b>162,563</b>

The following table sets forth our trade and notes payables turnover days for the years indicated.

	For the year ended December 31,		
	2023	2024	2025
	(days)		
Trade and notes payables turnover days <sup>(1)</sup> . . . . .	119	180	180

*Note:*

- (1) Trade and notes payables turnover days are based on the average balance of trade and notes payables divided by cost of sales for the relevant period and multiplied by 360 days for a full-year period. Average balance is calculated as the average of the beginning balance and ending balance of a given period.

Our trade and notes payables turnover days increased from 119 days in 2023 to 180 days in 2024, primarily attributable to more favorable payment terms secured with our suppliers. Our trade and notes payables turnover days remained stable at 180 days in 2024 and 2025, respectively.

As of February 28, 2026, RMB117.0 million, or 72.0% of our trade and notes payables outstanding as of December 31, 2025, had been subsequently settled.

### *Preferred Shares, Warrants and Convertible Notes*

Our preferred shares, warrants and convertible notes increased from RMB2,311.1 million as of December 31, 2023 to RMB2,676.8 million as of December 31, 2024, and further increased to RMB2,924.4 million as of December 31, 2025, which was primarily due to the increased valuation of such shares.

### *Other Payables and Accruals*

Our other payables and accruals consist of (i) contract liabilities; (ii) warranty provision; (iii) refund liability; (iv) accruals, mainly related to renovation and logistics related expenses; (v) due to founder shareholders; (vi) payroll and social insurance payables; and (vii) tax payables. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contract liabilities . . . . .	4,458	7,192	15,196
Warranty provision . . . . .	1,143	2,880	3,743
Refund liability . . . . .	9,860	14,601	11,566
Accruals . . . . .	35,971	64,816	42,397
Due to founder shareholders . . . . .	8,493	9,861	10,240
Payroll and social insurance payables . . . . .	13,760	12,072	19,748
Tax payables . . . . .	3,371	1,694	801
<b>Total</b> . . . . .	<b>77,056</b>	<b>113,116</b>	<b>103,691</b>

## FINANCIAL INFORMATION

Our other payables and accruals increased from RMB77.1 million as of December 31, 2023 to RMB113.1 million as of December 31, 2024, primarily due to (i) an increase of RMB29.2 million in accruals related to production facility renovation, (ii) an increase of RMB4.7 million in refund liability, primarily due to the timing of new product launches and the resulting concentration of shipments near year-end.

Our other payables and accruals decreased from RMB113.1 million as of December 31, 2024 to RMB103.7 million as of December 31, 2025, primarily due to an increase of RMB8.0 million in contract liabilities primarily related to our sales through e-commerce platforms; partially offset by a decrease of RMB22.4 million in accruals primarily related to the renovation of certain production facilities.

### LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth our cash flows for the years indicated.

	For the year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash used in operating activities . . . . .	(471,768)	(174,077)	(203,477)
Net cash generated from/(used in) investing activities . . . . .	359,229	92,403	(24,516)
Net cash generated from financing activities . . . . .	132,058	102,992	87,787
<b>Net increase/(decrease) in cash and cash equivalents . . . . .</b>	<b>19,519</b>	<b>21,318</b>	<b>(140,206)</b>
Cash and cash equivalents at the beginning of the year . . . . .	166,249	181,094	204,732
Effect of foreign exchange rate changes . . . . .	(4,674)	2,320	(892)
<b>Cash and cash equivalents at the end of the year . . . . .</b>	<b>181,094</b>	<b>204,732</b>	<b>63,634</b>

We have historically financed our operations primarily through cash generated from financing activities. Looking ahead, we expect to meet our liquidity needs through a combination of operating cash flow and additional capital raised from the markets as needed.

We experienced negative operating cash flows during the Track Record Period. See “— Net cash used in operating activities” for reasons of net operating cash outflows of each year. However, we expect to improve our net operating cash flow by: (i) growing revenue through strengthen relationships with existing customers and expand customer base, (ii) launching and upgrading high-quality products tailored to customers’ needs, (iii) streamlining our cost structure and further improving R&D and overall operational efficiency, and (iv) strengthening working capital management, including better collections and prudent financial resource allocation.

Based on our available cash and cash equivalents, despite the net operating cash outflows during the Track Record Period, we believe our cash balance is sufficient to meet our operating needs and support our planned expansion. Accordingly, we believe we have adequate working capital to fund our operations, taking into account our available financial resources.

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## FINANCIAL INFORMATION

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### Net cash used in operating activities

Net cash used in operating activities in 2025 was RMB203.5 million, which primarily consists of loss before taxation of RMB456.3 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include (i) fair value changes of preferred shares, warrants and convertible notes of RMB202.3 million; (ii) depreciation of right-of-use assets of RMB30.9 million; and (iii) depreciation of property, plant and equipment of RMB23.6 million. The amount was further adjusted by changes in working capital, primarily including (i) a decrease in other payables and accruals of RMB70.8 million; (ii) a decrease in inventories of RMB22.6 million; (iii) a decrease in prepayments and other assets of RMB17.4 million; and (iv) a decrease of pledged deposits and restricted cash of RMB12.6 million.

Net cash used in operating activities in 2024 was RMB174.1 million, which primarily consists of loss before taxation of RMB708.5 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include (i) fair value changes of preferred shares, warrants and convertible notes of RMB328.0 million; (ii) depreciation of right-of-use assets of RMB23.3 million; and (iii) depreciation of property, plant and equipment of RMB22.7 million. The amount was further adjusted by changes in working capital, primarily including (i) an increase in other payables and accruals of RMB39.8 million; (ii) a decrease in trade receivables of RMB40.5 million, and (iii) an increase in trade and notes payables of RMB37.2 million.

Net cash used in operating activities in 2023 was RMB471.7 million, which primarily consists of loss before taxation of RMB881.8 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include (i) fair value changes of preferred shares, warrants and convertible notes of RMB438.7 million; (ii) depreciation of right-of-use assets of RMB22.1 million; and (iii) depreciation of property, plant and equipment of RMB21.6 million. The amount was further adjusted by changes in working capital, primarily including (i) an increase in inventories of RMB114.9 million; (ii) an increase in trade and bills payables of RMB61.1 million, (iii) an increase in pledged deposits and restricted cash of RMB42.7 million; and (iv) a decrease in prepayment and other assets of RMB38.2 million.

### Net cash generated from/(used in) investing activities

Net cash used in investing activities in 2025 was RMB24.5 million, which primarily consists of (i) purchases of items of property, plant and equipment of RMB42.7 million; and (ii) payments for acquisition of financial assets at FVTPL of RMB5.1 million, partially offset by proceeds from disposals of financial assets at FVTPL of RMB23.2 million.

Net cash generated from investing activities in 2024 was RMB92.4 million, which primarily consists of proceeds from disposals of financial assets at FVTPL of RMB120.8 million; partially offset by (i) purchases of items of property, plant and equipment of RMB15.6 million; and (ii) payments for acquisition of financial assets at FVTPL of RMB12.1 million.

Net cash generated from investing activities in 2023 was RMB359.2 million, which primarily consists of proceeds from disposals of financial assets at FVTPL of RMB684.5 million; partially offset by (i) payments for acquisition of financial assets at FVTPL of RMB306.0 million; and (ii) purchases of items of property, plant and equipment of RMB19.4 million.

### Net cash generated from financing activities

Net cash generated from financing activities in 2025 was RMB87.8 million, which primarily consists of proceeds from interest-bearing bank borrowings of RMB669.7 million; partially offset by repayment of bank loans of RMB658.4 million.

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Net cash generated from financing activities in 2024 was RMB103.0 million, which primarily consists of (i) proceeds from interest-bearing bank borrowings of RMB441.5 million, and (ii) capital contribution by redeemable non-controlling equity holders of RMB147.2 million; partially offset by repayment of bank loans of RMB449.7 million.

Net cash generated from financing activities in 2023 was RMB132.1 million, which primarily consists of proceeds from interest-bearing bank borrowings of RMB162.0 million; partially offset by principal portion of lease payments of RMB28.3 million.

### WORKING CAPITAL

Taking into account the financial resources available to us, including anticipated cash flow from our operating activities, existing cash and cash equivalents and the estimated net [REDACTED] from the [REDACTED], our Directors believe that we have sufficient working capital for our present requirements and for the next 12 months from the date of this Document. We intend to finance our future working capital requirements and capital expenditures primarily from cash expected to be generated from operating activities, bank facilities and funds raised from financing activities, including the net [REDACTED] we will receive from the [REDACTED].

### INDEBTEDNESS

The following table sets forth our indebtedness as of the dates indicated.

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
<b>Current</b>				
Interest-bearing bank borrowings . . .	162,026	153,779	128,933	239,701
Lease liabilities . . . . .	14,871	23,279	18,423	17,333
Other liabilities . . . . .	–	–	151,335	151,335
Preferred shares, warrants and convertible notes . . . . .	2,311,071	2,676,837	2,924,442	3,186,310
<b>Non-current</b>				
Interest-bearing bank borrowings . . .	–	–	36,111	–
Lease liabilities, non-current . . . . .	15,228	33,252	17,585	16,921
Other liabilities . . . . .	–	154,782	7,918	7,969
<b>Total . . . . .</b>	<b><u>2,503,196</u></b>	<b><u>3,041,929</u></b>	<b><u>3,284,747</u></b>	<b><u>3,619,569</u></b>

### Interest-bearing Bank Borrowings

Our interest-bearing bank borrowings, including both current and non-current portions, remained relatively stable at RMB162.0 million as of December 31, 2023, RMB153.8 million as of December 31, 2024, RMB165.0 million as of December 31, 2025, and RMB192.5 million as of February 28, 2026.

As of February 28, 2026, we had committed unutilized bank facilities of RMB21.4 million.

Our Directors confirm that during the Track Record Period and as of the Latest Practicable Date, the agreements under our borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

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### Lease Liabilities

Our lease liabilities, including both current and non-current portions, increased from RMB30.1 million as of December 31, 2023 to RMB56.5 million as of December 31, 2024, primarily due to lease arrangements related to our Wuxi base. Our lease liabilities subsequently decreased to RMB36.0 million as of December 31, 2025, which was primarily due to the termination of one of our lease arrangements. Our lease liabilities further decreased to RMB34.3 million as of February 28, 2026.

### Other Liabilities

We recorded other liabilities, including both current and non-current portions, at RMB154.8 million as of December 31, 2024, RMB7.9 million as of December 31, 2025, and RMB159.3 million as of February 28, 2026, associated with our obligation to repurchase 49% equity interest in our subsidiaries. For details of financial liabilities at amortised cost, see Note 32 to the Accountants’ Report included in Appendix I to this Document.

Except as discussed above, we had no outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of February 28, 2026, being our indebtedness statement date. After due and careful consideration, our Directors confirm that there had been no material change in our indebtedness since February 28, 2026 and up to the Latest Practicable Date.

### CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period included payments for property, plant and equipment amounting to RMB19.4 million, RMB15.6 million and RMB42.7 million for the years ended December 31, 2023, 2024 and 2025, respectively.

We will continue to make capital expenditures to meet the expected growth of our business and our expansion plan. See “Future Plans and Use of [REDACTED] — Use of [REDACTED].” We intend to fund our future capital expenditures with financial resources available to us, and the net [REDACTED] from the [REDACTED].

### KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the years indicated.

	For the year ended December 31,		
	2023	2024	2025
Gross profit margin <sup>(1)</sup> (%) . . . . .	18.8	22.1	35.2
Operating expenses ratio <sup>(2)</sup> (%) . . . . .	137.6	117.5	82.7

*Notes:*

- (1) Gross profit margin is calculated as gross profit for the year divided by revenue for the year and multiplied by 100%.
- (2) Operating expenses ratio is calculated as the sum of selling and distribution expenses, administrative expenses, and research and development expenses for the year, divided by revenue for the year and multiplied by 100%.

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## FINANCIAL INFORMATION

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### RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details of our related party transactions, see Note 31 to the Accountants' Report included in Appendix I to this Document.

Our Directors are of the view that each of the related party transactions set out in Note 31 to the Accountants' Report included in Appendix I to this Document was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

### OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any outstanding off-balance sheet arrangements.

### CONTINGENT LIABILITIES

As of December 31, 2023, 2024 and 2025, we did not have any contingent liabilities. Our Directors confirm that there has been no material change in our contingent liabilities as of the Latest Practicable Date.

### FINANCIAL RISKS DISCLOSURE

We are exposed to a variety of market and other financial risks, including foreign currency risk, credit risk and liquidity risk. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner. For details of various market and other financial risks, see Note 34 to the Accountant's Report included in Appendix I to this Document.

### DIVIDENDS

During the Track Record Period, we did not declare any dividends to our Shareholders.

Any declaration and payment as well as the amount of dividends will be subject to our Articles and the Cayman Companies Act. Our board of directors has the discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. As advised by our Cayman Islands legal adviser, we are a holding company incorporated under the laws of the Cayman Islands, pursuant to which, the financial position of accumulated deficit does not prohibit us from declaring and paying dividends to our Shareholders. Dividends may still be declared and paid out of our share premium account notwithstanding our profitability, provided that our Memorandum and Articles do not prohibit such payment and our Company is able to pay its debts as they fall due in the ordinary course of business immediately after such payment.

### DISTRIBUTABLE RESERVES

As of December 31, 2025, we did not have any distributable reserves.

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## FINANCIAL INFORMATION

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[REDACTED]

Our [REDACTED] represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED] and the [REDACTED]. Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] Range, we estimate that our [REDACTED] will be approximately RMB[REDACTED], accounting for approximately [REDACTED]% of our gross [REDACTED], including (i) [REDACTED] expenses of approximately RMB[REDACTED], and (ii) [REDACTED] expenses of approximately RMB[REDACTED], comprising (a) sponsor fee of approximately RMB[REDACTED], (b) fees and expenses of legal advisors and Reporting Accountant of approximately RMB[REDACTED], and (c) other fees and expenses of approximately RMB[REDACTED]. Out of the approximately RMB[REDACTED], approximately RMB[REDACTED] is expected to be charged to our consolidated statements of profit or loss and approximately RMB[REDACTED] is expected to be deducted from equity. The [REDACTED] above are the best estimate as of the Latest Practicable Date and for reference only, and the actual amount may differ from this estimate.

### UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

Please refer to “Appendix II — Unaudited [REDACTED] Financial Information” for further details.

### NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this Document, there has been no material adverse change in our financial, operational or trading position, indebtedness, contingent liabilities or prospects since December 31, 2025, being the end date of our latest audited financial statements, and there has been no event since December 31, 2025 that would materially affect the information shown in the Accountants’ Report set out in Appendix I.

### DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except for the amounts due from related parties as disclosed in this section, as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.